



VILLAGE OF SCHAUMBURG
PROGRESS THROUGH THOUGHTFUL PLANNING

MEMORANDUM

Date: March 2, 2021
To: Mr. Brian Townsend, Village Manager
From: Lisa Petersen, Director of Finance
Subject: 2021 Renaissance Schaumburg Hotel and Convention Center Business Plan
For: FLAGG Committee

Introduction

Village staff meets regularly with the Renaissance property management team and the asset management team from Jones, Lang, LaSalle (JLL) to discuss and develop plans for navigating the impact that the pandemic has had on 2020 operations. 2021 is expected to be a recovery year from the COVID-19 pandemic. The foundational expectation is that business levels will regain strength over the course of the year.

Discussion

The hospitality industry was decimated by the pandemic, in a typical year, 2020 financial results and the 2021 Business Plan would be presented and compared to prior year to reflect growth and demonstrate achievement of annual goals. However, 2020 was anything but a typical year and the recovery in 2021 is not expected to begin until July, as such these comparisons would be extraneous and futile.

The property remained open for all of 2020, although keen assessments were conducted to determine if that was the right course of action as occupancy was almost nonexistent. With such a drastic reduction in activity, 167 employees were severed and most of the remaining employees were furloughed. To help owners, Marriott allowed the suspension of required contributions to FF&E and Capital escrow accounts for most of 2020.

The 2021 Business Plan provides a sound strategy and reasonable sales estimates for the recovery year. Below are the Top 5 priorities identified by the property management team for 2021:

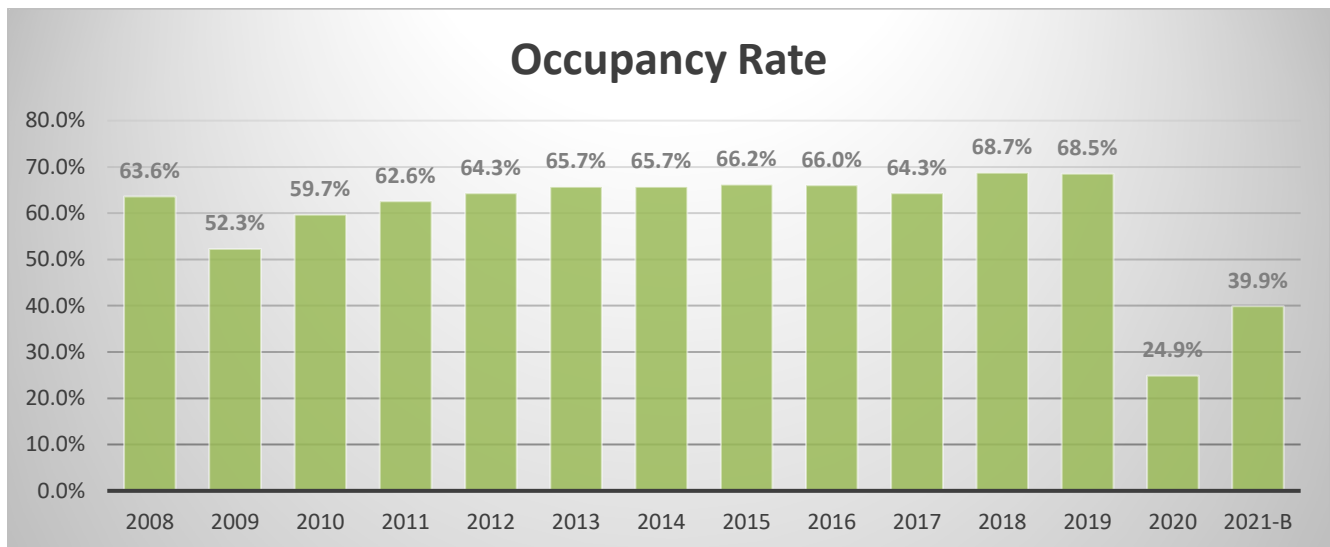
1. Achieve Budgeted Gross Operating Profit by 14.8%.
2. Execute cost control to achieve earnings goal of \$1,637,000 thereby reducing the risk of requesting financial assistance from the Village.
3. Achieve RevPAR of 127% compared to primary comp set.
4. Achieve Catering Sales goal of \$5.1 million.
5. Meet Budgeted Management wage target of 10.4% of Sales.

Finance

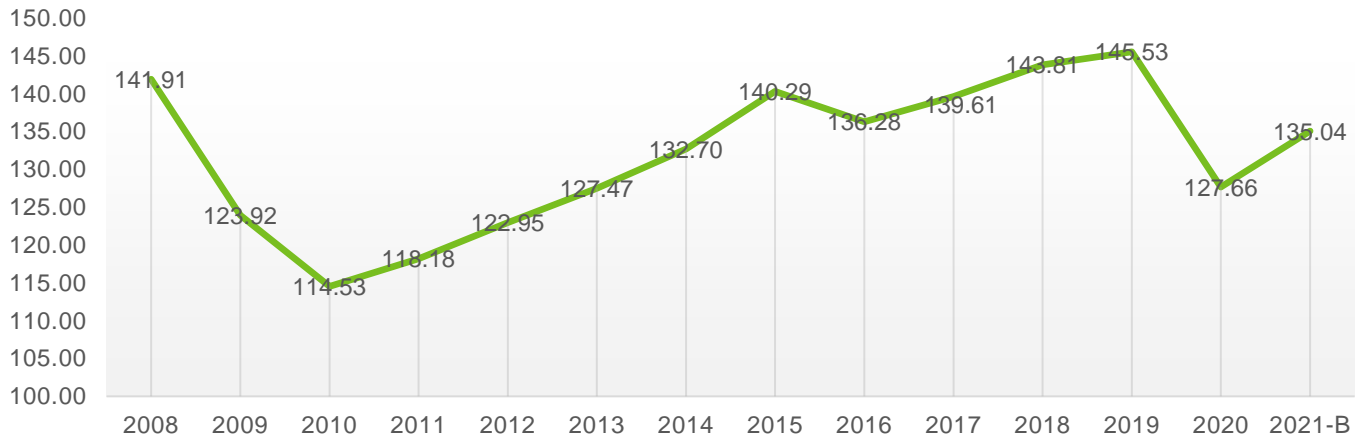
From an operational perspective, the Business Plan is sound and based on the best intelligence available as the hospitality industry navigates recovery from the pandemic. The plan sets reasonable goals and is a good roadmap for 2021. Renovation options for the Gather lounge and Sam & Harry's restaurant are ongoing and a plan will be developed as the year unfolds. As such, the capital portion of the 2021 Business Plan is understandably limited this year.

Description	Funding	Cost
Hotel Discretionary (projects \$25k or less)	FF&E Escrow	\$90,800
Backflow Preventer	FF&E Escrow	47,200
Entrance Bollards (15 total)	FF&E Escrow	42,000
Replace Computer Equipment	FF&E Escrow	28,200
Subtotal Escrow		<u>208,200</u>
Roof Restoration (Replace/Repair/Re-Seal)	Capital	150,000
Hot Water Heater/Storage (3 units)	Capital	142,800
Pool/Spa Dehumidification System	Capital	51,000
Cooling Tower Component Replacement	Capital	50,000
Subtotal Capital		<u>393,800</u>
Total		<u><u>\$602,000</u></u>

Following is a history of key statistics for the Renaissance Schaumburg Hotel and Convention Center:



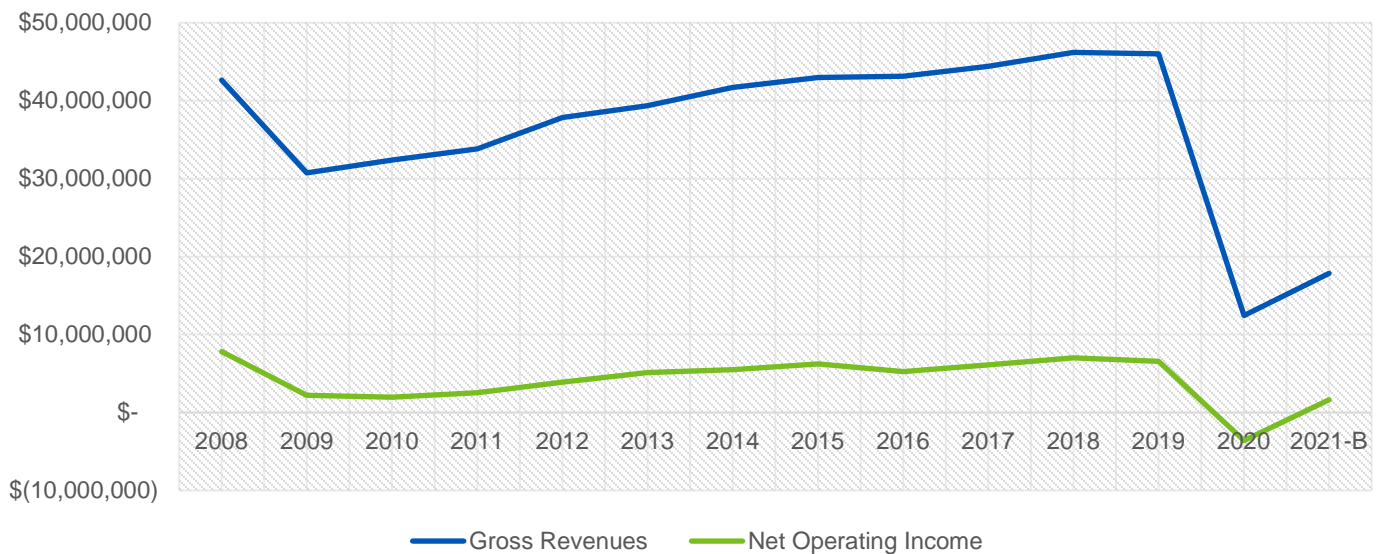
Average Daily Rate



Net Operating Income/(Loss)



Gross Revenues relative to Net Operating Income



Historical Results & 2021 Budget (in millions)	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Budget	% Change to PY
Sales Revenue	41,694	42,989	43,117	44,421	46,194	45,998	12,440	17,845	43.4%
Operating Expense	20,900	21,183	20,591	21,066	21,415	20,983	7,778	7,639	-1.8%
Departmental Profit	20,794	21,806	22,526	23,355	24,778	25,015	4,662	10,206	118.9%
Administrative Charges	9,974	10,443	11,181	11,362	11,233	11,603	6,997	7,562	8.1%
Fixed Charges	5,309	5,142	6,106	5,894	6,543	6,845	1,258	1,007	-20.0%
Net Operating Income/Due to Owner	5,511	6,221	5,239	6,099	7,002	6,567	(3,593)	1,637	145.6%

While 2020 was a difficult and challenging year, it is important to understand the measures that the Village took to ensure there are adequate reserves to cover operational shortfalls and debt service requirements. On January 13, 2021, the Village closed on a forward direct purchase agreement with Morgan Stanley to purchase (in the future) refunding bonds related to the hotel and convention center. As a result, the village received an up-front payment of \$24.6 million, thereby increasing reserves and providing liquidity and flexibility while the hospitality industry recovers. Below is a conservative 3-year forecast of reserves and debt service needs.

Hotel & Convention Center Fund Debt Service Obligations	Budget	Forecast	Forecast	Forecast
	2021	2022	2023	2024
Net Operating Income/Due to Owner	1,637,224	1,800,000	1,845,000	1,891,125
Village-allocated Tax Revenue	5,239,218	5,501,179	5,638,708	5,779,676
Interest Income	1,000,000	710,000	600,000	490,000
Bond Proceeds	-	-	-	-
Total Revenue	7,876,442	8,011,179	8,083,708	8,160,801
Debt Service	12,973,522	13,260,214	14,351,339	14,651,714
Owner's Expense	142,900	199,600	204,590	209,705
Potential Property Expenses	-	-	-	-
Total Expenses	13,116,422	13,459,814	14,555,929	14,861,419
Net Income/(Deficit)	(5,239,980)	(5,448,635)	(6,472,221)	(6,700,618)
Beginning Cash 2/28/2021	42,640,161	37,400,181	31,951,546	25,479,325
Ending Cash	37,400,181	31,951,546	25,479,325	18,778,708

Further included for your information are:

- Business Outlook and Strategy Summary
- Balanced Scorecard
- 2021 Budget Goals & Objectives
- Recommendation from Jones, Lang, LaSalle Asset Managers

Recommendation

Staff recommends the Village Manager recommends approval of the 2021 Business Plan for the Renaissance Schaumburg Hotel and Convention Center.